

CENTRAL ASIAN JOURNAL OF THEORETICAL AND APPLIED SCIENCES

Volume: 03 Issue: 05 | May 2022 ISSN: 2660-5317

Improving the Management of Diversification of the Activities of Subsidiaries

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Received 26th Mar 2022, Accepted 15th Apr 2022, Online 23rd May 2022

Abstract: *The reforms carried out by the economic policy of Uzbekistan are based on the diversification and modernization of production, the creation of high-tech products with high added value, as well as increasing competitiveness and strengthening positions in the world market. The implementation of an active investment policy, technical modernization of industries and production infrastructure allowed for the creation of new high-tech industries for Uzbekistan, such as automotive, gas chemistry, electrical engineering, mechanical engineering, building materials industry, pharmaceuticals, furniture industry, etc.*

Keywords: *The reforms, the economic policy, the diversification, modernization, production, the creation, competitiveness, strengthening, world market, mhe implementation, industries, production infrastructure.*

The reforms carried out by the economic policy of Uzbekistan are based on the diversification and modernization of production, the creation of high-tech products with high added value, as well as increasing competitiveness and strengthening positions in the world market. The implementation of an active investment policy, technical modernization of industries and production infrastructure allowed for the creation of new high-tech industries for Uzbekistan, such as automotive, gas chemistry, electrical engineering, mechanical engineering, building materials industry, pharmaceuticals, furniture industry, etc.

The serious qualitative changes taking place in the country's economy in recent years deserve attention. As a result of the adoption and consistent implementation of the program of priority development of industry in 2011-2015 and sectoral programs for modernization, technical and technological renewal of production facilities in the structure of industry in the total volume of capital investments, the largest share falls on the funds of enterprises of the republic. Industrial policy in Uzbekistan is carried out with an emphasis on export orientation. To date, the production of non-primary goods is proving competitive and is increasingly focused on exports. Studies show that the greatest return is given by stimulating the export of finished products and especially complex knowledge-intensive exports.

Modernization, technical and technological renewal of production as the most important condition for reaching a qualitatively new level of development. Uzbekistan has adopted a program of measures to ensure structural transformations, modernization and diversification of production for 2015-2019, which

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provides for the implementation of 846 investment projects worth $40.81 billion. The program was approved by the Decree of the President of the Republic of Uzbekistan: "On the Program of measures to ensure structural transformations, modernization and diversification of production for 2015-2019" on March 4, 2015. Within the framework of this program, Uzbekistan is implementing 846 investment projects for modernization, technical and technological renewal of production facilities with a total cost of $ 40.809 billion.

It is expected that the implementation of the program will ensure an average annual growth of gross domestic product in 2015-2019 in the amount of at least 8%, industrial production — 9%. As a result, the share of industry in Uzbekistan's GDP will increase from the current 24% to 27% in 2022.

In 2015 Uzbekistan has mastered about 100 new product groups (about 1000 assortment types) and by 2020 will increase the annual production and export potential of the industry by 18 trillion soums, respectively, or $ 2 billion. In particular, Uzbekistan intends to implement 124 investment projects for modernization, technical and technological renewal of production facilities, as well as 48 new promising investment projects involving foreign investors in the field of geology, fuel and energy complex, chemical, petrochemical and metallurgical industries.

The main directions of development of diversification of industrial enterprises. The main results of the production of light industry goods. Among the well-known ways of reforming the activities of light industry enterprises, the most effective are changes in their structure and nomenclature of products, i.e. diversification. The experience of foreign countries with highly developed economies has shown that diversification gives stability to the functioning of organizations, weakens their dependence on the conjuncture of individual markets, provides a strong support for various consumer groups.

Diversification of production can and should be considered as one of the strategic alternatives for long-term planning of the development of light industry enterprises.

The textile industry is one of the most developed industries in Uzbekistan. The enterprises of the industry produce yarn, threads, harsh and ready-made fabrics. The production of knitwear and sewing products — clothing, household products - has been developed. For Uzbekistan, the importance of developing this branch of the economy is primarily due to the availability of its own raw materials base (cotton, silk, wool), as well as the relatively high labor intensity of the textile industry, which is important from the point of view of solving employment issues and improving the standard of living of the population.

World experience shows that in the presence of favorable conditions, the development of the textile industry can be explosive. At the same time, due to the deep processing of raw materials, there is a significant increase in added value, which allows increasing the incomes of the population, enterprises and the state, as well as ensuring high export growth rates and reducing imports (finished garments).

Uzbekistan's light industry has taken a strong position in the country's industrial complex over the years of independence. Thanks to the created favorable conditions, benefits and preferences, a solid regulatory framework, the enterprises of the industry achieve great success and enter a qualitatively new stage of development. As a result, over the years of state independence, the role of light industry in the economy of Uzbekistan has significantly increased, its share in GDP amounted to 3.8%, in the volume of industrial production — 26.2%, in the volume of production of non-food consumer goods over 44% [1]. The volume of domestic processing of cotton fiber has been increased from 7% in 1991 to 35% in 2014 of the total volume of cotton fiber production in the republic.

In the last 3 years alone, 92 industrial enterprises with a total value of 575.3 million US dollars, an export potential of 215.8 million US dollars, the creation of more than 11.6 thousand jobs, including on the basis of:

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- Kokand Textile Mill has created a joint venture LLC "Indorama Kokand Textile" (project cost 110 million US dollars) with a production capacity of 29 thousand tons of yarn per year;
- "Uztex Group" together with the company "Svis Capital" (Switzerland) organized the production of 12 thousand tons of cotton yarn per year in the Khorezm region, the total cost of the project amounted to more than 50 million US dollars.
- The former Uzbektextilmash software was created by the Swiss company Mashinenfabrik Riter AG, IE Riter Uzbekistan, which produces belt, carding, ring-spinning machines, as a result of which textile machinery in the republic has been restored at the modern level.

Production indicators of Uzbekengilsanoat JSC: export of products, implementation of localization program and investment program. In light of the fulfillment of the tasks set, Uzbekengilsanoat JSC and the company's enterprises in 2015 ensured the production of consumer goods by 1327.1 billion soums, the growth rate compared to the corresponding period last year was 125.9%, the volume of industrial production amounted to 3159.7 billion soums with a growth rate of 122.0%.

In physical terms, the production of the main product range was provided, including: cotton yarn — 307.1 thousand tons (growth rate of 119.1%); cotton fabrics — 182.9 million square meters (118.1%); knitted fabric — 53.0 thousand tons (111.1%); knitwear — 218.3 million pieces (144.3%); hosiery-socks — 38.9 million pairs (133.2%); sewing products — 29.1 billion soums (126.1%); nonwovens — 37.0 million square meters (113.8%); raw silk threads - 1077.7 tons (118.0%); cotton wool — 27.5 thousand tons (108.3%) [1].

One of the areas of implementation of tasks to fully meet the needs of the domestic market was the development and production of new product ranges, increasing the volume of production of products that meet international standards in accordance with market demand [2].

In 2015, the industry's enterprises produced 75 new types of light industry goods. 34.9 million square meters of cotton fabrics were mastered and produced (filter fabrics, avizen, tent cloth, canvas fabric, waffle, technical fabrics, cotton fabric of the jeans type, etc.), 164 models of ready-made sewing and knitwear in the amount of 20.5 million pieces. The total amount of new products amounted to more than 205.0 billion soums.

The volume of exports of products in 2015 amounted to $ 865.1 million. The share of finished products ($315.9 million) in the total volume of exports of products is 36.5%. The decrease in market prices for manufactured products against the corresponding period of last year by 15-20% significantly affected the provision of the export task [5]. New types of products were exported: compact yarn, tent cloth, terry sewing products, home textiles, melange yarn, poplin, technical fabrics, baby diapers, labels, etc. (about 50 countries of the world).

On an ongoing basis, work is being carried out to develop the geography of exports of products, search for alternative markets (countries of Europe, America and Southeast Asia), taking into account the steady and increasing demand for cotton products on the world commodity market. This year, new markets have been developed in such countries as Canada, Colombia, Saudi Arabia. More than 13 textile enterprises supply products to the People's Republic of China. Currently, there are more than 40 dealer divisions of large exporting enterprises in the EU, CIS and Asia.

At the end of 2015, 9 localization projects produced finished products worth 14.8 billion soums, with a forecast of 14.6 billion soums, the percentage of completion was 101.3%. Uzbekengilsanoat JSC implements 29 investment projects, attracted foreign investments totaling $ 182.3 million, disbursed $ 174.8 million, i.e. implementation amounted to 100.6%. 33 new enterprises were put into operation, 2,685 new jobs were created. Production facilities have been created for the production of 41.4 thousand tons of

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yarn, finished products — 16.0 million pieces. Methodology for managing the diversification of industrial enterprises. The significant production potential of industrial enterprises in the regions, the active work of university science, industry research institutes, existing organizations of innovation infrastructure (foundations, agencies, technology parks, centers of new technologies, etc.) can contribute to the activation of diversification processes.

The main prerequisites for making a decision on the diversification of textile enterprises, taking into account the regional factor, in our opinion, are:

- competitive advantages that the company has to implement a diversification strategy in the regional market;
- availability of programs and mechanisms of penetration into the regional market;
- the possibility of forming (changing) the concept of enterprise management on a regional scale, as well as in private functional strategies of the enterprise (financial, marketing, R& D, etc.).

The listed factors of competitive advantage formation during diversification interact with each other, creating a systemic effect. This can be reflected in the proposed transformed model of managing the diversification of textile enterprises (Fig.1).

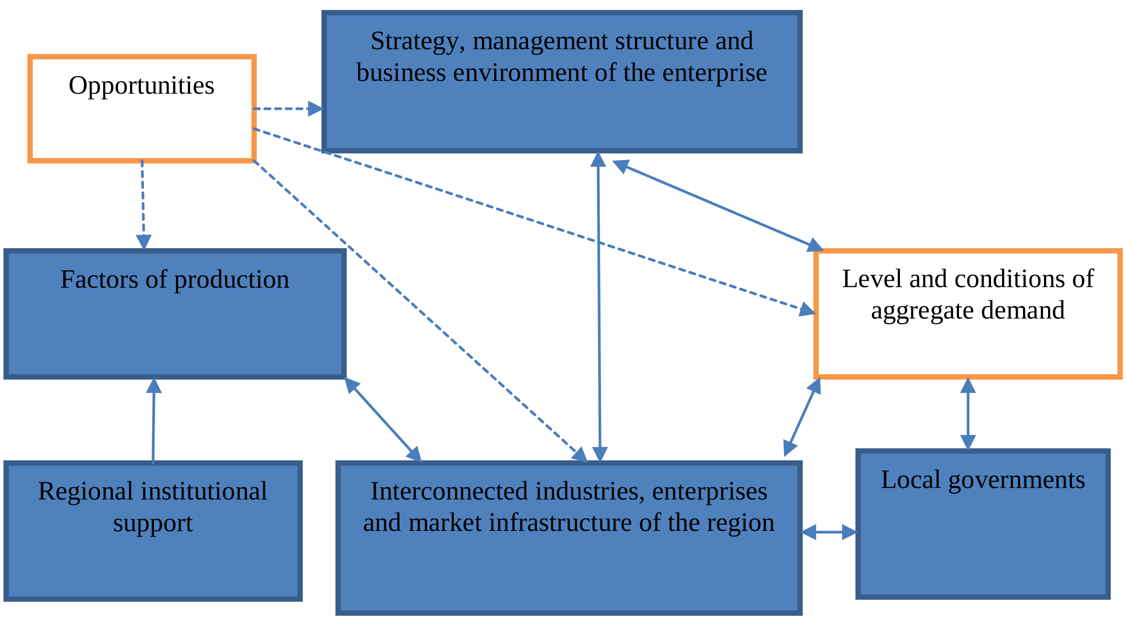


Fig. 1. Transformed model of managing the diversification of the activities of subsidiaries

The model includes regional environmental actors, which mean consumers (individuals and legal entities) who form the demand for goods and services that industrial enterprises are able to satisfy in the course of diversifying their activities.

In order to achieve a competitive advantage in the implementation of the diversification strategy, it is necessary to coordinate the activities of enterprises in the region, involving the exchange of information, the distribution of responsibility and coordination of efforts in a given direction.

The effectiveness of coordination actions in the process of diversification in the regional market will be achieved by creating an organization to coordinate the interaction of entities interested in diversification, where transactions will play a key role. At the same time, executive authorities can take steps to study the

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demand in the region, based on the prospects for its development, and partially solve organizational issues with representatives of related and supporting industries, as well as institutional structures of the region, and the latter will choose a strategy of participation in maintaining the diversification of enterprises.

Diversification management is based on microanalysis, which is based on information about enterprises, consumers, competitors and partners, and the strategy itself takes into account intra-company organizational changes, market conditions and interaction management. To implement such a paradigm, it will be necessary to study the management process in an integrated organization capable of managing the diversification of enterprises' activities.

When carrying out diversification, business entities use the experience accumulated in the management of the main business to organize business units related to the main activity and strengthening the overall potential. In our opinion, one of the main factors of effective management will be the study of the internal potential of the organization's diversification.

Thus, choosing a policy of active diversification of activities, it is necessary to start with the development of a strategy that comprehensively takes into account the economic factors of production of industrial enterprises, the potential capabilities of participating organizations, the needs of the region in the development of processes of change, the accumulated potential of industry complexes, investment and innovative business conditions.

The conceptual approach to managing the diversification of enterprises' activities assumes its consideration as an essential element in the totality of economic and managerial relations that arise and ensure interaction between the subjects of the region. Therefore, in order to achieve an integrated effect, the theory and methodology of the functioning of the management system of diversification processes are necessary.

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